ONTARIO CLEAN WATER AGENCY
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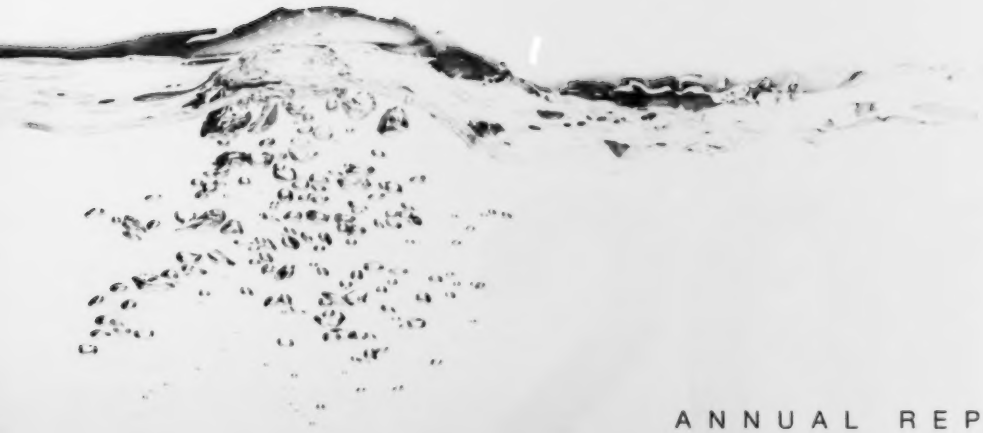

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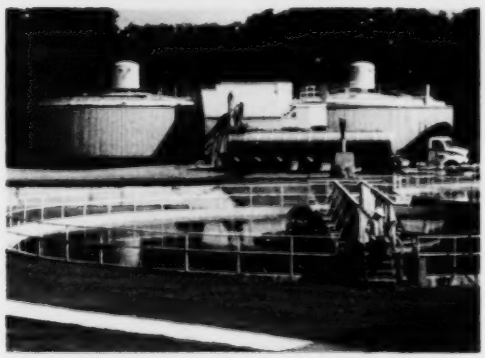
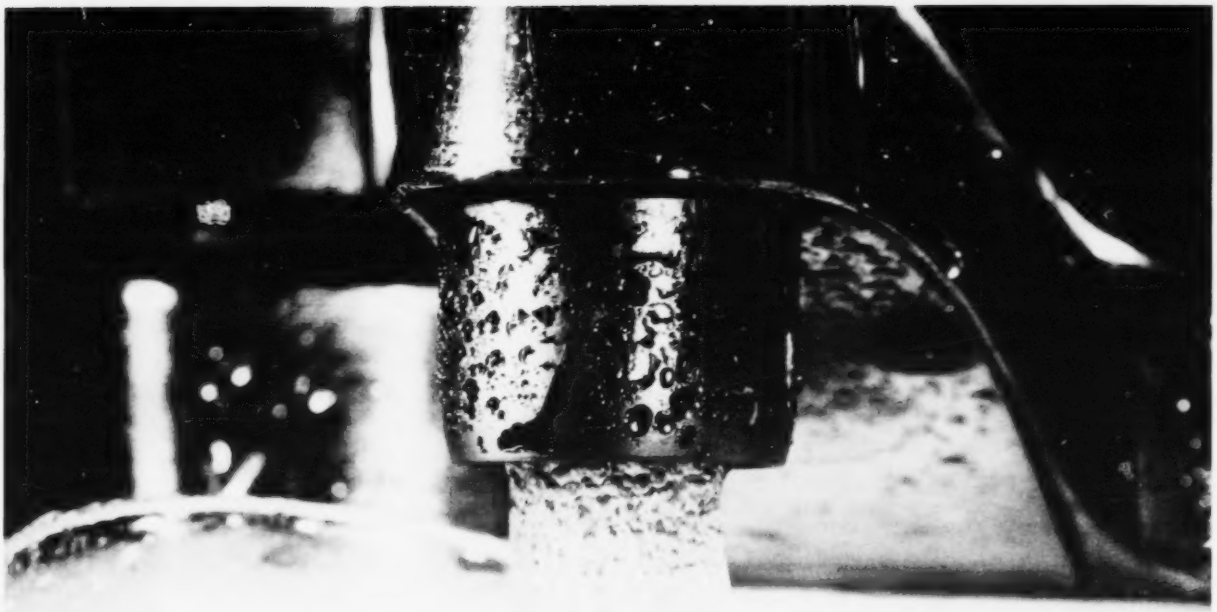


WORKING TOGETHER, BUILDING TRUST



TRUST

Municipalities across Ontario trust the Ontario Clean Water Agency (OCWA) to operate their water and wastewater facilities — efficiently and effectively.

That's because we take our commitment to clean water, community health, and the environment, just as seriously as they do.

If your community is challenged by water or wastewater issues ... think OCWA.

Think trusted partner.

ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

For additional information, or to enquire about job opportunities, call us at **1-800-667-OCWA** or look us up on the internet at **www.ocwa.com**.

ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

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Our Vision

To be the most trusted provider of clean water services.

Our Mission

To demonstrate service excellence to our clients through the delivery of safe, reliable, and cost-effective water and wastewater services.

Our Values

OCWA's values are focused on building TRUST with clients and other stakeholders.

Transparent

Open and honest communication of our business activities.

Respectful

Build sound relationships with our staff, clients, and other stakeholders, by acting responsibly and doing what is right.

Understanding

Confidence in the knowledge and ability of our people to meet the challenges of the water and wastewater industry.

Safe

Deliver clean water services to protect our employees, the communities we serve, and the environment.

Teamwork

Work together and share our collective expertise to deliver exceptional results and achieve our mission.

Corporate Profile

The Ontario Clean Water Agency (OCWA) provides safe, reliable and cost-effective clean water services to municipalities, First Nations communities, institutions and businesses. OCWA's core business is the operation, maintenance and management (OM&M) of water and wastewater treatment facilities and their associated distribution and collection systems. OCWA also provides a wide range of professional project management, advisory and training services.

Partner of Choice for Ontario's Treatment System Owners

OCWA operates more municipal water and wastewater facilities in Ontario than any other operating authority. The Agency has contracts to operate nearly 500 facilities ranging in size from small wells and lagoons to large-scale urban water and wastewater systems.

Efficient and Effective Service Delivery

OCWA provides economies of scale that reduce overall operations and maintenance costs for individual clients. Through a hub/satellite service delivery structure, clients benefit from the sharing of management, administration, operational systems and specialist support services that many of OCWA's clients might otherwise be challenged to afford.

Deli... ...er Service Solutions

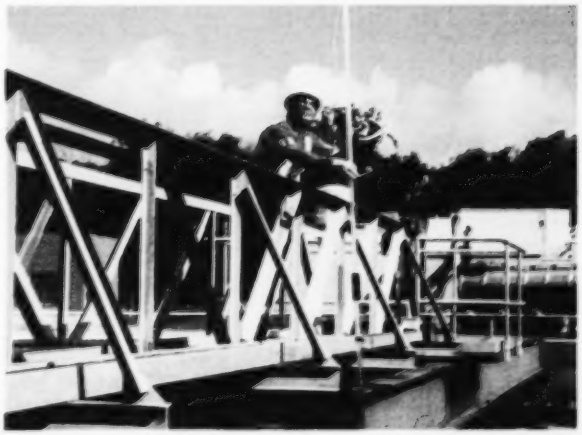
..., OCWA offers a complete range of water and ...ewater service solutions. These include:

- Technical services including Supervisory Control and Data Acquisition (SCADA) development and wide-area communication, asset management, instrumentation, distribution and collection system maintenance, and portable treatment options
- Engineering services including major maintenance and minor capital works, regulatory advisory services, process modelling and optimization, biosolids expertise, facility

...ces

- Water conservation strategies

OCWA's operations team is supported by industry experts in the areas of operational compliance, training, procurement, legal services, communications, information technology, finance, human resources and systems integration.



Delivering Value to the People of Ontario

Since its inception, OCWA has been a vital resource of the Province of Ontario. OCWA makes public safety through the delivery of safe and reliable water and wastewater services its fundamental objective. By providing system owners a cost-effective choice with respect to the operation of their water and wastewater systems, OCWA helps ensure that all Ontarians have access to a provider of safe and reliable water and wastewater services. This choice is particularly critical for small, rural, and remote communities.

OCWA also provides emergency response services in the event of a provincial water emergency. Specially equipped and trained, OCWA Emergency Response Teams (OERT) are positioned in key locations across the Province and are able to respond immediately when needed.

Joint Message from the Chair and President & CEO

Michael R. Garrett
Chair of the Board of Directors

Robin Kind
President & CEO

Over the past year, OCWA worked with its stakeholders to better understand their needs and pursue our vision of being the most trusted provider of clean water services. We are seeing some positive results and are pleased to report on the Agency's 2009 activities and performance.

Although the global recession continued to affect our clients' ability to make investments in their clean water infrastructure, and in some cases pay for basic services, OCWA was able to maintain all of its key service contracts up for renewal in 2009. Most significant was the execution of a new ten year operations and maintenance services agreement with the Region of Peel.

By the end of 2009, there were clear signs that the economy was beginning to recover, however we continued to look for efficiencies in operating clients' facilities, as well as ways to assist them with ensuring the long-term sustainability of their assets. Federal and Provincial government initiatives over the last couple of years have focused on infrastructure projects related to water and wastewater and OCWA has placed greater emphasis on working with clients on long-term capital plans, allowing them to make informed decisions about upgrading or replacing aging infrastructure.

We take pride in our reputation of delivering safe, clean water to the communities we serve. In 2009, the Agency focused on continuously improving operational performance while meeting new accreditation requirements. We are pleased to report that 97% of OCWA operated water facilities received inspection ratings from the Ministry of the Environment above 90%; and 45% received ratings of 100%. Over the last several years, our employees have worked with clients to ensure that their water treatment facilities would be ready to meet the new licensing requirements of the Safe Drinking Water Act, 2002. In 2009, we received operating authority accreditation for 94 water treatment facilities, consistent with the requirements established by the Ministry of the Environment.

Ensuring the health and safety of our employees is a key priority for OCWA. Through a continued emphasis on workplace safety, including the implementation of a mandatory personal protective equipment policy, 98% of OCWA-operated facilities achieved our goal of zero lost-time incidents. In 2010, we will continue to challenge our employees to take personal responsibility for health and safety and enhance our programs to increase awareness of musculoskeletal disorders and prevent slip and fall incidents. The Agency will also continue to prepare for the new Occupational Health and Safety Act requirements on workplace violence.

Although regulatory compliance remains critical, we recognize that to maintain clients' trust and to be competitive in this industry, it is not enough to merely meet the high standards set by the Province. We must be innovative, flexible, and be able to adapt processes and apply technologies to deliver cost-effective solutions. As part of its recent budget, the Province announced its intention to help stimulate the economy by introducing a Water Opportunities Act that would help "make Ontario a leader in the development and sale of clean water technology". OCWA will work with the Ministry of the Environment and other stakeholders to identify how OCWA can best support new strategies and technology that will help meet our clients' needs.

In 2010, we will remain focused on ensuring OCWA's long term sustainability and achieving full cost recovery in OCWA operations. We will meet this commitment by growing our core operations and maintenance business and by offering complementary services, including technical and engineering expertise and asset management services, to existing and new customers.

On behalf of the rest of OCWA's Board of Directors and Senior Management Team, we would like to express our sincere appreciation to OCWA's management and staff for their continued support of our shared vision and mission. OCWA's people are dedicated, skilled professionals who provide quality, cost effective services to our clients. We are proud to share their many accomplishments highlighted throughout this Annual Report.

Corporate Governance

OCWA is committed to continuously improving upon procedures and practices to direct and manage the Agency. The Agency's approach is to conduct its business in a manner that is fair, transparent and provides best value to its clients and the Province of Ontario.

OCWA is an Operational Enterprise Agency of the Province of Ontario established under the *Capital Investment Plan Act, 1993* and is accountable to the Legislature through the Minister of the Environment (MOE). The Act sets out OCWA's objects, powers and duties as well as other governing parameters. A Memorandum of Understanding (MOU) with the MOE further clarifies these roles and duties. OCWA conducts its business in accordance with various Management Board of Cabinet (MBC) directives as set out in the MOU.

Board of Directors

Members of OCWA's Board of Directors are appointed by the Lieutenant-Governor-in-Council. OCWA's Board is made up of qualified independent members from private and public sectors as well as senior executives employed with the Ontario Government. Together, the Board has collective expertise in managing private sector and municipal corporations, including utilities, overseeing various levels of government, and advising on regulatory matters related to the environment and drinking water.

The Board follows best practices in corporate governance including:

- Comprehensive director orientation
- Ongoing director education and development
- Holding regular meetings and in-camera sessions
- Holds strategic planning sessions with and without senior management
- Setting and adhering to a Board *Code of Conduct*, including, Conflict of Interest procedures

An Audit and Risk Management Committee also meets at least quarterly and assists the Board in fulfilling its governance and oversight responsibilities with respect to:

- Accounting and financial reporting processes
- Internal financial control structure
- Internal and external audit functions
- Enterprise risk management systems

Business Planning and Performance Measurement

OCWA's Board sets the Agency's strategic direction, and reviews and approves OCWA's strategic plans, financial reports, and significant business decisions. The Board approves the Agency's Business Plan and related performance targets annually and monitors the achievement of both the Business Plan targets and key performance indicators throughout the year. Employee performance plans and appraisals are linked to business plan performance targets.

Accountability

OCWA demonstrates accountability to the government and citizens of Ontario in a number of ways, including:

- Meeting requirements for OCWA-operated facilities to the appropriate regulatory authorities (Ministry of the Environment, Medical Officer of Health and Ministry of Labour)
- Facility reports for OCWA-operated municipal water treatment facilities are available to the public through OCWA's municipal clients
- Generating an Annual Report, approved by the Minister of the Environment, tabled in the Provincial Legislature and made available to all Ontarians, either in print or online at www.ocwa.com
- Producing an annual business plan, including performance measures, submitted for approval annually to the Minister of the Environment
- Supporting annual audits of OCWA's financial statements by the Office of the Auditor General and periodic Value for Money Audits
- Providing accessibility to Agency records under the *Freedom of Information and Protection of Privacy Act*

- Complying with Ontario Public Service directives including the Agency Establishment & Accountability Directive and the *Public Sector Expense Review Act, 2009* that requires public disclosure of expenses
- Utilizing an Enterprise Risk Management (ERM) system to identify and assess business and operational risks

Value for Money Audit

Following the release of the Auditor General's 2008 Annual Report, OCWA appeared before the Provincial Legislature's Public Accounts Committee in April, 2009 to answer questions regarding the Agency's Value for Money audit. In his report, the Auditor General indicated that OCWA "generally had adequate procedures in place" to ensure that Ontarians were getting the public services they need and value for their tax dollars, but indicated there were "some areas where OCWA needed to be better." OCWA has committed to implementing all of the Auditor General's recommendations and at the time of writing had completed over 80%. With respect to those initiatives in progress, the majority have been substantially completed.

Board of Directors, as of December 31, 2009

Michael R. Garrett, Chair

Michael R. Garrett, Chair

Term: June 2008 to June 2011

Michael R. Garrett has extensive experience as a senior executive in the public sector. Mr. Garrett has served in a variety of capacities including: Chief Administrative Officer for the Regional Municipality of York, City Manager for the City of Toronto, Chief Administrative Officer for the Regional Municipality of Peel, Assistant Deputy Minister of the provincial Ministry of Natural Resources, Program Director for the South Nation Basin, and Director of Water Resources with the Metropolitan Toronto and Region Conservation Authority.

Art Leitch, Vice Chair

Art Leitch, Vice Chair

Term: July 2007 to July 2011

Art Leitch is former President and CEO of Hamilton Utilities Corporation. Prior to that Mr. Leitch served as General Manager of Public Works for the City of Hamilton, Commissioner with Hamilton Hydro Commission, General Manager of Sarnia Hydro, Senior Vice-President of United Utilities International PLC, and Commissioner of Planning and Public Works for the Region of Halton. Mr. Leitch serves his community as: Chair for the Board of Directors of the Canadian Automobile Association, and Chairman of the Advisory Board of the Link-Line Group of Companies. Mr. Leitch earned his Master of Environmental Engineering degree from the University of Toronto, and his Master of Business Administration degree from York University.

Juli Abouchar

Juli Abouchar

Term: August 2007 to July 2011

Juli Abouchar is Partner and Environmental Specialist with Willms & Shier Environmental Lawyers L.L.P. Ms. Abouchar was Assistant Commission Counsel at the Walkerton Inquiry, served on the multi-stakeholder Source Water Protection Implementation Committee and was legal advisor to the Expert Panel on Regulating Safe Drinking Water on First Nations. She practices administrative law before environment and energy tribunals and has published numerous articles. Ms. Abouchar holds a Master of Laws from the University of London, U.K. and a Bachelor of Laws and a Bachelor of Civil Law from McGill University.

John Bergsma

John Bergsma

Term: August 2007 to July 2011

John Bergsma is Commissioner of Corporate Services for the Regional Municipality of Niagara. As well, Mr. Bergsma sits on the Boards of St. Catharines Hydro Inc., Horizon Utilities Inc. and Pioneering Technologies Inc. In the past, he was President and Chief Executive Officer of Union Gas Limited and President of Lennox Canada Inc., Massey Ferguson Research Ltd., and Columbus McKinnon Limited. He served on the University of Waterloo Board of Governors for more than 20 years and the Boards of the Stratford Festival of Canada, the Ontario Great Lakes Renewal Foundation, the Canadian Urban Institute and various United Ways across Ontario. Mr. Bergsma holds a Master of Applied Science in Water Resource Planning.

Susan Fletcher

Susan Fletcher

Term: November 2009 to November 2012

Susan Fletcher, an accountant and consultant, has provided consulting services in a variety of businesses over the past 20 years, including financial services, health care, non-profit organizations and municipal government. Most recently, Ms. Fletcher has led or consulted on projects to identify and value municipal assets and infrastructure to meet capital asset requirements under the new Public Sector Accounting Board (PSAB). Ms. Fletcher has previously held senior financial management positions in the automotive and research & development sectors, including with Gabriel of Canada and ORTECH International (Ontario Research Foundation), and has also worked in the aerospace sector with de Havilland Aircraft. She currently sits on the Board and is Treasurer of Theatre Orangeville and is a Certified Management Accountant (CMA) and holds a Bachelor of Commerce degree from Queens University.

Charles Fox

Term: August 2007 to January 2011

Charles Fox is an Ojibway-Cree Anishnawbe from the Bearskin Lake First Nation in northern Ontario. He has spent the last 29 years of his life working and advocating for First Nations people. Over the past two years, Mr. Fox has been retained by the Ministry of Health Promotion as a consultant on aboriginal matters dealing with public health. He is currently developing and delivering Aboriginal specific programs in conjunction with the Ontario Power Authority, Conservation Bureau.

Allan Gunn

Term: July 2007 to July 2010

Allan Gunn is the Assistant Deputy Minister of Corporate Services at the Ontario Ministry of Community Safety and Correctional Services. He is responsible for the corporate leadership of strategic and business planning, controllership and human resource management for an organization of over 16,000 staff with an annual budget of $1.8B. Mr. Gunn has been an executive in the Ontario Public Service for over 20 years including 5 years as Assistant Deputy Minister with the Ontario Ministry of Environment. He is an alumnus of Carleton University, Queen's University, and the Richard Ivey School of Business.

Doug Lawson

Term: November 2009 to November 2012

Doug Lawson has over 28 years of senior business and financial management experience across a diverse range of industries and size of businesses. During his career, Mr. Lawson has also worked as a consultant to a number of start-up companies. He is currently the Senior Vice-President and Chief Financial Officer of North American Fur Auctions. Mr. Lawson received his Bachelor of Business Administration degree from Wilfrid Laurier University and is a Chartered Accountant with a further Corporate Finance designation granted by the Canadian Institute of Chartered Accountants. He has also earned the ICD.D certification granted by The Institute of Corporate Directors.

Gino Nicolini

Term: August 2008 to August 2010

Gino Nicolini is semi-retired from a career in engineering. Mr. Nicolini has served as: President of Nicolini Construction and Engineering Ltd., President of Val Nicol Construction Ltd., and Project Engineer of Kilmer Van Nostrand Construction and Engineering Ltd. Mr. Nicolini serves as member of the Landfill and Waste Disposal Regulatory Policy Group of the Public Advisory Committee for the City of Ottawa. His previous contributions include serving as President of the Ottawa-Gloucester Rotary Club and member of the Committee of Adjustment for the City of Ottawa. Mr. Nicolini is a member of the Professional Engineers of Ontario.

Charles Fox

Allan Gunn

Doug Lawson

Gino Nicolini

Officers of the Agency

Robin Kind

President and Chief Executive Officer
(September 2009 to Present)

Robin Kind has been a member of the Agency's legal group since November 1994. Prior to joining OCWA, Ms. Kind spent several years in private practice in Toronto in the areas of corporate, commercial and environmental law. Ms. Kind held the position of Assistant General Counsel at OCWA from July 2000 to May 2003 and that of General Counsel up until September 2009, when she was appointed President and Chief Executive Officer.

Dante Pontone

President and Chief Executive Officer
(2004 to September 2009)

Dante Pontone started his career with the Ontario Public Service by joining the Ministry of the environment in 1985. Mr. Pontone joined OCWA when the Agency was first created in 1993. He has served in a variety of capacities including Chief Information Officer and Vice President of Finance and Corporate Services. Mr. Pontone served as President and Chief Executive Officer for the Agency from August 2004 to September 2009. He also served as a member of the Board of directors for the Walkerton Clean Water Centre and was the Chair of the Centre's Governance and Accountability Committee from 2004 to 2008.

Dan Atkinson

Vice President, Operations – Southern Ontario

Dan Atkinson assumed his current role in Operations in March 2000. He has been with the Ontario Public Service for over 25 years and joined OCWA at its inception in 1993. One of the Agency's original officers, Dan has served as Corporate Controller and Area Vice President of Operations. Mr. Atkinson is a Certified General Accountant and a Certified Management Accountant and holds a Bachelor of Commerce degree and a Masters of Business Administration.

Brenda Baker

Vice President, Finance and Corporate Services

Brenda Baker joined OCWA in November 2002. She has over 25 years of financial experience in government including positions with the Ministry of Community Safety and Correctional Services, Ministry of Agriculture and Food and the Auditor General's Office. Ms. Baker is a Chartered Accountant and holds a Bachelor of Commerce degree and a Masters of Business Administration.

Nick Reid

Vice President, Business Development

Nick Reid joined OCWA in February 1995 with 15 years experience in environmental consulting and technical sales. He was instrumental in establishing a client services culture within OCWA and has held progressively responsible positions in Business Development and Operations. Mr. Reid has also served four years as General Manager of the South Peel facilities and two years as Chief Information Officer prior to assuming his current role with Business Development in February 2007. He has been an officer of the company since 2000.

George Terry

Vice President, Operations – Northern Ontario, First Nations and Integrated Systems

George Terry joined OCWA at its inception in 1993. Throughout his OCWA career, he has held successively more senior positions including Operations Manager, Operations Management Specialist, Vice President of Information Technology and Technical Services, Director of Operational Research and Development and Director of Marketing & Sales. He is an active member of the Canadian Water and Wastewater Association and the Ontario Water and Wastewater Works Association.

Sandra Witlarge

Controller, Finance

Sandra Witlarge joined OCWA in September 2000 as Manager of Budgets and subsequently became Controller in May 2002. Prior to joining OCWA she held various financial positions with a large manufacturing company. Ms. Witlarge is a Certified Management Accountant and a Certified Fraud examiner and she holds a Bachelor of Administrative studies degree.

Activities and Accomplishments, 2009

Improving the Client Experience

Engaging Clients and Improving Service

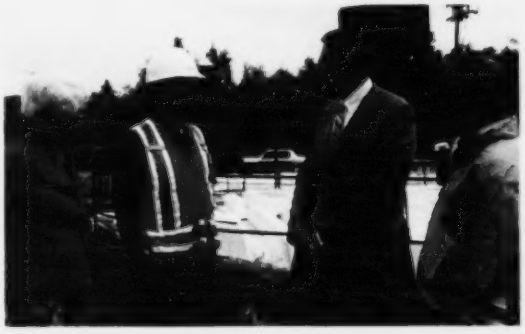
OCWA is a service organization that responds to the evolving needs of its clients. In 2009, in addition to developing client service charters, with specific performance criteria, client advisory council meetings were held to gather input on the Agency's service offerings and to seek advice on areas for improvement. The Agency also re-aligned its sales and service areas to provide greater focus on each of these functions and meet the requirements of both existing and prospective clients. To assist clients with the long term sustainability of their systems, OCWA developed specific asset management strategies as part of clients' annual capital plans.

Innovations in Technology

OCWA is committed to assisting clients with the delivery of cost-effective water and wastewater services. One example of this commitment is OCWA's work analyzing and evaluating the replacement of conventional blowers with turbo-blowers in some of our client's facilities. Turbo-blower units are about a quarter of the size of conventional blowers, use 30% to 40% less energy, are quiet and virtually vibration and maintenance free. Clients who make this infrastructure investment should see it pay for itself in as little as three years through savings in energy and maintenance costs.

OCWA also supports the application of new and innovative technologies in the industry. In 2009, a pilot project between Biorem, an Ontario based company, and the Region of Waterloo was established at the OCWA-operated Preston Facility, testing Biorem's new odour-control platform. Since the new technology was introduced at Preston, background plant odour and odour complaints have been significantly reduced. The platform also has proven to treat odour at less cost than many other operating systems currently in use.

New Odour Control Platform – Preston Wastewater Treatment Plant

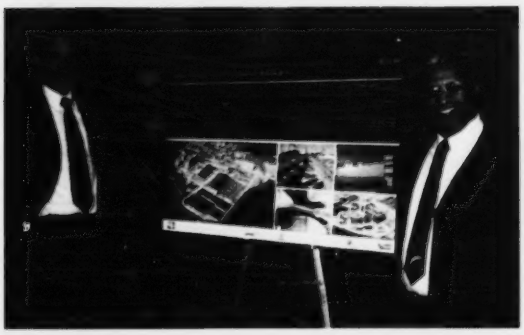


OCWA partners with the Ministry of Research and Innovation and Biorem Technologies to test a new odour-control platform at the Preston Wastewater Treatment Plant.

OCWA is proud to support research and innovation in water and wastewater treatment. In August, the Preston Wastewater Treatment Plant played host to the Honourable John Milloy, Minister of Research and Innovation, as he announced almost $1.2 million in funding from the Ontario Government's Innovation Demonstration Fund. The funding went to Biorem Technologies, a company based in Guelph, Ontario that designs and manufactures air pollution control systems that remove harmful contaminants from the air.

OCWA staff in South Peel have been heavily involved in the expansions carried out at the Lakeview Water Treatment Plant (WTP) and G.E. Booth Wastewater Treatment Facility (WWTF) facilities. The Lakeview WTP is the second largest plant in the North America to combine oxidation-biological processes with ultra-filtration. This process results in a high level of water quality, consistent performance, a small plant footprint and also has favourable lifecycle costs.

OCWA's participation in Award-winning construction projects



OCWA's Nevin McKeown, Wastewater Manager, and David Edwards, Regional Manager, pose alongside William Fernandes, Manager Treatment Capital, Wastewater Division Region of Peel.

In February 2009, the South Peel Operations were recognized by the Association of Canadian Engineering Companies – in collaboration with Canadian Consulting Engineer magazine – to receive two Awards of Excellence.

The South Peel facility expansions over the last few years at the G.E. Booth Wastewater facility and the Lakeview Water Treatment Plant have garnered them the prestigious honour of being part of a group of award-winners from around the world whose projects encompass every discipline of Canadian engineering.

The Lakeview Water Treatment Plant is one of the largest membrane treatment facilities in North America while the G.E. Booth Wastewater facility includes the world's largest biosolids facility of its kind.

Achieving Business Growth and Full Cost-Recovery

New Business Growth

In 2009, OCWA achieved over $6M in new OM&M contracts and Technical Service sales and renewed 37 OM&M contracts worth a combined $44M in annual revenues. Most significant, was the Agency's renewal of its contract with the Region of Peel, one of the largest water/wastewater contracts in North America. The 10-year contract, valued at $447 million, is the result of a two-year review process of OCWA's operations of the South Peel Facilities. On behalf of the Region of Peel, EMA Canada undertook an extensive evaluation of water/wastewater service options. Evaluation criteria were built from industry measures and best practices identified by EMA Canada through evaluating the operation of more than 450 water and wastewater facilities across North America. EMA reported "that OCWA's current performance in South Peel is among the top five percent in North America and that the Region is currently receiving a very high level of service."

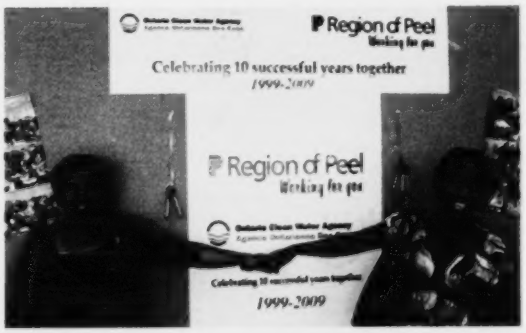
An increased focus on the delivery of Technical Services resulted in $4M in revenues. OCWA's Engineering Services Team achieved $2M in sales, the bulk of which related to the provision of project management expertise for major expansion or construction of new water and wastewater infrastructure.

OCWA also provided over $1M in Asset Management and Operational Support Systems (AMOSS) services – these included the completion of distribution system maintenance projects in the Town of Espanola and the City of Guelph. Other AMOSS services included ongoing refinements to the Agency's highly regarded Wonderware/Outpost 5 SCADA solution that supports the efficient remote monitoring and effective deployment of staff for water and wastewater works operated and maintained by the Agency. The team also provided Asset Management services, including creating an inventory and documentation of new equipment within the Region of Peel's expanded works, and enhancing the City of North Bay's asset management system.

OCWA's Training Department delivered $1M worth of service to water and wastewater operators in Ontario. The bulk of training work was delivered in partnership with the Walkerton Clean Water Centre for director approved courses.

At the end of 2009, the Agency was also active in its effort to renew an additional 57 OM&M contracts.

OCWA and Region of Peel Celebrate Past and Future Relationship



Joanne Turner – OCWA/SP and Georgette Whittaker Region of Peel

OCWA and the Region of Peel celebrated their successful partnership after their current 10-year contract came to an end on June 31, 2009. The decade was marked with many changes, from new operating technologies to new construction projects.

On September 9, 2009, OCWA and the Region of Peel officially renewed their partnership, in a 10-year contract valued at $447 million.

Efficient and Compliant Operations

Efficient and Effective Service Delivery

OCWA established a Simplification Team in 2009 that utilizes "lean" six-sigma concepts to improve business processes. This approach has brought together employees from across functional areas to develop creative solutions that can be integrated into OCWA's day-to-day work. Focused on cutting bureaucracy, duplication and solving problems quickly, the Simplification Team has made recommendations to Senior Management and are now implementing improvements related to invoicing and employee recruitment processes and redefining the flow of work involving OCWA's work management system.

Meeting Accreditation Requirements under the *Safe Drinking Water Act, 2002*

Accreditation requirements for operating authorities (including OCWA) under the Drinking Water Quality Management Standard (DWQMS) and licensing of municipal drinking water systems began January 1, 2009. This involved an external review, by the Canadian General Standards Board (CGSB), of the Agency's development and implementation of its Quality and Environmental Management System (QEMS). OCWA's QEMS accreditation, and the related Operational Plan for each of the municipal drinking water systems it operates, meets two of the five requirements of the MOE's Municipal Drinking Water Licensing Program. The Agency continues to support its clients with meeting the other three requirements: Financial Plan, Drinking Water Works Permit and obtaining a License. In 2009, 94 OCWA-operated municipal drinking water systems achieved Operating Authority Accreditation. A group of systems, primarily in the North, will need to be accredited in 2010. Once accredited, each system will be subject to an annual audit, in order to maintain accreditation status.

OCWA participates in a highly regulated industry that provides water treatment services while protecting public health and the environment. The MOE water and wastewater divisions, as well as the Ministry of Health and Long-Term Care, Health Protection and Promotion division, conduct inspections to assess how well a system is complying with provincial regulations. OCWA tracks Provincial Officer Orders issued by the MOE as an indicator of operational performance. The MOE conducted approximately 10% more inspections in 2009 on OCWA-operated facilities than it did in 2008. With respect to the overall number of Provincial Officers Orders, there was a marked reduction from the previous year – eleven orders in 2008 compared to three orders issued in 2009. OCWA worked with its clients to ensure compliance with all orders. Over the last several years, OCWA has experienced a continuous reduction in the number of orders issued year over year.

Operational Performance

Other industry indicators are also monitored to help assess operational performance and identify potential areas for infrastructure improvements. These include the number of reportable incidents such as adverse water quality incidents, boil water advisories and bypasses at wastewater facilities. These are discussed in more detail below.

Adverse Water Quality Incidents

Adverse Water Quality Incidents (AWQIs) occur when drinking water quality tests, taken at various stages in the treatment process, do not meet the Provincial standards. It should be noted that an AWQI does not necessarily mean that drinking water from a system is unsafe – it indicates that on at least one occasion, a water quality standard has not been met. Standards include aesthetic measures, such as taste and smell, to the measurement of the presence of naturally occurring elements or chemical compounds.

The MOE defines standards, objectives and guidelines for specific parameters to ensure a minimum level of drinking water quality. There are four types of parameters:

Microbiological, Chemical, Radiological and Physical. In 2009, OCWA operated facilities had 13 fewer AWQIs than in 2008. Source water quality challenges outside of OCWA's operating control continued to cause some AWQIs. These were primarily in the northern and eastern regions where the Agency operates smaller groundwater systems under the influence of source water. The microbiological quality of the drinking water is a critical health related parameter and is representative of the effective treatment and testing of the drinking water. In comparison to 2008, OCWA experienced 20% fewer microbiological AWQIs.

2009 AWQIs at OCWA - operated facilities by Region

OCWA Region	Eastern	Northern	South Peel	Waterloo	Western	Total
No. of Water Facilities	**117**	**138**	**2**	**27**	**20**	**304**
AWQI Category						
Microbiological	35	19	0	2	1	**57**
Chemical	32	54	1	0	3	**90**
Physical	22	44	2	0	0	**68**
Radiological	0	0	0	0	1	**1**
Total	**89**	**117**	**3**	**2**	**5**	**216**

Boil Water Advisories

On occasion, a boil water advisory (BWA) may be issued, at the discretion of the Medical Officer of Health (MOH), in response to an adverse test result or an issue with a drinking water system. A BWA is issued when boiling the water will remove the contaminant to ensure the water is safe for drinking. In some instances a BWA is issued as a precautionary measure. Outlined below is a summary of the BWA at OCWA-operated facilities in 2009.

2009 BWAs Issued by MOHs for an OCWA - operated Water System

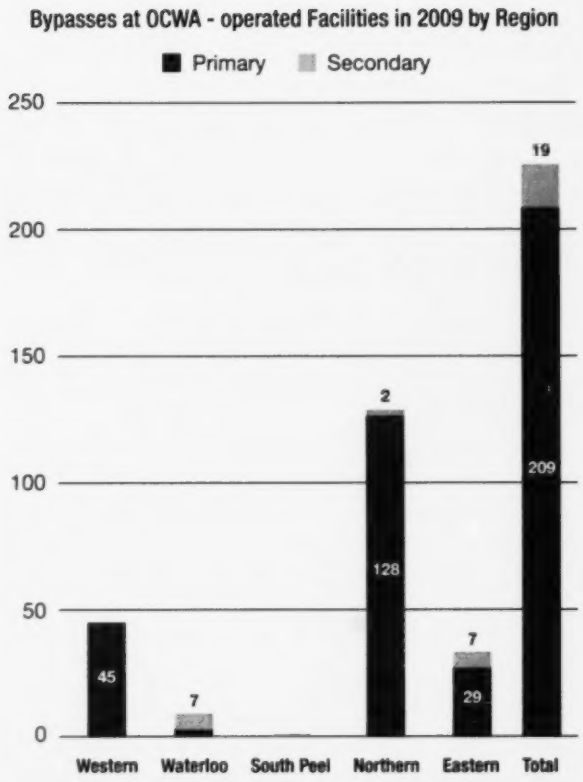
OCWA Region	Eastern	Northern	South Peel	Waterloo	Western	Total
No. of Water Facilities	**117**	**138**	**2**	**27**	**20**	**304**
Inadequate disinfection or disinfection residual in the treated water	1	4	-	-	-	**5**
Unacceptable microbiological quality in the treated water	-	-	-	-	-	**0**
Epidemiological evidence that suggests drinking water is responsible for an outbreak	-	-	-	-	-	**0**
Other (loss of pressure)	5	11	0	1	1	**18**
Total	**6**	**15**	**0**	**1**	**1**	**23**

Bypasses at OCWA-operated Facilities

Bypassing allows a wastewater facility to manage hydraulic flows beyond the facility's capacity to treat wastewater. During major rainfall or rapid snow melts, wastewater bypasses the plant's biological processes to avoid damage to the facility or to property (i.e. basement flooding), therefore, Certificates of Approval (CofA) for systems specifically include bypass requirements.

The graph below depicts the number of bypass events that occurred at OCWA-operated facilities in 2009. It is important to note that 85% of bypass flows were the result of hydraulic loading due to rapid snowmelt or heavy rain.

A "Primary Bypass" occurs during a high hydraulic flow event resulting in sewage bypassing all of the plant's biological processes. A "Secondary Bypass" refers to times when sewage solids have been allowed to settle however the plant's more advanced biological processes have been bypassed.



MOE Convictions

In 2009, OCWA had two convictions that totalled nearly $30,000, relating to incidents that occurred in 2007. One conviction under the *Ontario Water Resources Act* related to the operation of the Shelburne Wastewater Treatment Facility and the other under the *Safe Drinking Water Act, 2002* related to the operation of the Ear Falls Water Treatment Facility. OCWA has taken steps to prevent reoccurrence of these incidents at both of these facilities and other OCWA operated facilities.

Occupational Health & Safety

The Agency is committed to providing a safe and healthy workplace for all employees and to the prevention of occupational injury or illness. In 2009, OCWA maintained its focus on occupational health and safety by hosting its annual health and safety representative conference and launching OCWA's inaugural Safety Week which was aligned with the National Safety Day. In addition, a mandatory personal protective equipment policy was implemented, a working alone (on call) policy was developed and enhanced safety training was delivered. Although the Agency had seven LTIs in 2009, compared to four in 2008, OCWA did achieve its target of zero Lost-Time Incidents (LTIs) in 494 (98.6%) of its facilities in 2009.

In 2010, OCWA will continue to focus on achieving zero LTIs by concentrating on a behaviour based safety philosophy where safe behaviour and safe workplaces are the expectation of each and every employee and where safety is everyone's priority. Performance plans at all levels of the organization reflect the Agency's commitment to achieving zero LTIs. Key initiatives in 2010 include the enhanced policy/guidance on musculoskeletal disorders/ergonomics, ongoing implementation of the Working Alone Policy, refresher training on contractor safety and responding to the new Occupational Health & Safety Act requirements related to workplace violence.

Celebration of OCWA's Health & Safety Representatives and Joint Health & Safety Committees (JHSCs)

On March 31 and April 1, 2009 OCWA held its 2009 Conference for Health and Safety Representatives. The conference brought together close to 70 participants from across the province to review the Agency's Occupational Health & Safety System (OHSS) programs, policies and related tools/processes. A strong emphasis was placed on workplace inspections and the personal protective equipment policy, implemented in 2009.

Employees from the Trent Valley hub receive one of two 2009 OCWA Safety Awards for their outstanding contribution towards implementing the Personal Protective Equipment (PPE) policy. Located in Eastern Ontario, this became the first hub within the Agency to implement PPE. By conducting the initial pilot, staff quickly became familiar with the challenges of changing behaviours related to personal safety. Each team member made a strong personal commitment to the PPE policy and worked together to successfully implement it.

Enhancing OCWA's Industry Profile

OCWA is actively involved in water industry associations such as the Canadian Water and Wastewater Association (CWWA), Ontario Water and Wastewater Association (OWWA) and Water Environment Association of Ontario (WEAO). In addition to participating in initiatives and events related to ensuring the safety of water in Ontario, the Agency coordinates the work of the Ontario Water Works Research Consortium (OWWRC). This consortium brings together municipalities that draw their drinking water from Lake Ontario, with federal government, provincial government and university researchers. The mission of the consortium is to link member utilities to government and university researchers and through those links facilitate the completion of research that is of value to member communities and ensure the long-term protection of Lake Ontario-based drinking water supplies.

In 2009, OCWA participated in 21 industry and water educational events to help enhance public awareness of OCWA's activities and promote opportunities for the public to learn about protection and conservation of Ontario's water resources.

Mike Paola, Al Robdrup, Bev Mollard, Marcel Misuraca and Dennis Rau strike a winning pose at WEFTEC

In October 2009, OCWA's team, the OCWA Jets, represented the Water Environment Association of Ontario (WEAO) at the annual Water Environment Federations' Annual Technical Exhibition and Conference (WEFTEC) held in Orlando, Florida. The OCWA Jets won 1st place in the Safety event, competing against 31 teams in Division 2. Teams from across the United States, Canada, and Argentina competed in the challenge.

The OCWA Jets also had very strong performances in the other events, finishing 7th overall and were the highest-placing Canadian team at the competition. The Jets proudly took home the Team Congeniality Award as voted by the other teams and judges in the competition.

Enterprise Risk Management (ERM)

In 2009, OCWA implemented its ERM program which is designed to support the effective management of the full range of risks across the Agency. Comprehensive exercises were conducted at all levels of the organization to identify and assess all of the Agency's risks. Risks identified were catalogued in a risk register utilizing the American Water Works Association (AWWA) risk categories which are: strategic, operational, market/business, and legal/regulatory. The Agency reviewed risk management strategies and controls to effectively mitigate/eliminate threats that were identified and risk tolerance levels were established.

Risk based elements were integrated into other systems and programs throughout the Agency including the QEMS, OHSS, emergency management and internal compliance audit programs. In addition, operational business planning processes were enhanced to include a review of risks associated with Agency initiatives.

The formal structure and risk management program established at OCWA should position the Agency well with respect to complying with risk management requirements set forth in the updated OPS Agency Establishment & Accountability Directive.

Empowering Employees to Succeed

OCWA relies on its highly skilled, trained and diverse workforce to deliver quality services to clients. The Agency continues to focus on attracting, developing and retaining the right people in the right roles.

Engaging Employees

In 2009, the Agency communicated the results of the OPS employee engagement survey to OCWA employees. The Agency also began to implement an action plan in response to the results and input received from staff. In addition, OCWA continued to engage and develop employees by hosting two employee conferences. During these conferences employees were informed about OCWA's business priorities and participated in developing new strategies to help improve the organization. These sessions provided an opportunity for dialogue and networking with senior management. Approximately 150 employees participated in the 2009 sessions and additional sessions are planned for 2010. In 2009, the groundwork was laid for "role mapping", a strategic planning exercise that will help align employee's day-to-day activities to OCWA's overall strategic direction.

The annual Employee Conferences were held in April and June 2009, with approximately 150 employees participating in networking and team-building events. Employees from across the Agency had the opportunity to work with Senior Management to share ideas and strategize on ways to improve and evolve the Agency.

Leadership Development

The Agency continues its efforts to deliver leadership training and development, consistent with that of the OPS. In 2009, OCWA's management continued its participation in a custom-designed leadership development program delivered by the Schulich School of Business.

Acknowledging the Diversity in our Workforce

Diversity and inclusiveness is all about creating and sustaining an environment where we recognize and respect our individual differences. Accessibility is an important part of diversity and during 2009, OCWA introduced a new Customer Service Policy and began training all employees on the Accessibility Standards for Customer Service established under the Accessibility for Ontarians with Disabilities Act (AODA). OCWA will complete its certification requirements under the AODA by March 31, 2010. In addition to the accessibility initiatives, OCWA began to broaden its approach to diversity by participating in many OPS diversity initiatives already underway and started to create and develop an OCWA specific Diversity Plan. To this end, we will continue to integrate diversity in our leadership commitments, policies, programs and services.

Delivering Value to the Province

Supporting the Water and Wastewater needs of First Nations Communities

Over the past two years, OCWA has participated in the federally-funded Safe Water Operations Program (SWOP) to provide mentoring, training and assistance to First Nations operators in the operation and maintenance of their water treatment systems. The ultimate goal of this program is to build knowledge and operational capacity with respect to water treatment and infrastructure maintenance within the First Nations communities. In addition, OCWA has provided operational training courses for First Nations operators directly through SWOP and the Province's mandatory drinking water certification courses.

Prepared to Respond to Provincial Water and Wastewater Emergencies

Through a funded partnership with the Ministry of the Environment, OCWA ensures it is ready to provide emergency response services in the event of a drinking water or wastewater emergency. To ensure preparedness, OCWA Emergency Response Teams were established regionally for rapid deployment in an emergency situation at any water or wastewater facility in the province. These teams are specially equipped, trained, and tested to ensure an efficient and effective response to emergency situations. In 2009, OCWA enhanced its response capacity specifically to ensure preparedness for wastewater emergencies. OCWA's Emergency Response Teams augmented their assessment and rehabilitation trailers and improved response protocols to address wastewater needs.

OCWA's Commitment to Social Responsibility

Building on the Corporate Social Responsibility Framework established in 2008, the Agency set specific targets to improve energy efficiency, reduce fuel consumption of its fleet and enhance public awareness of the need to protect and conserve Ontario's water resources. In 2009, the Agency was able to reduce fuel consumption of OCWA's fleet by 1.2% and identified energy management opportunities for clients, including replacing conventional blowers with turbo blowers to reduce electricity consumption.

Supporting the Communities in Which We Live, Work and Play

OCWA employees have a long tradition of contributing to the communities they serve. Employees conduct facility tours for community groups and schools to educate them about treatment processes and the impacts user actions have on their systems. We are active participants in community events, including drinking water festivals, plowing matches and charity fundraising activities. In 2009, the Agency participated in eight children's water festivals and twelve charity fundraising/community events.

Brantford's Children's Water Festival

OCWA believes in giving back to the various communities in which our employees live and work. Throughout 2009, OCWA sponsored several Children's Water Festivals, educating thousands of children on water usage in Ontario and around the world.

Each year, OCWA employees raise funds to help to improve lives and build strong and healthy communities by supporting local, provincial and national charities. As an organization, OCWA coordinates fundraising activities in support of The United Way and the Federated Health Charities that fund 16 Ontario health charities. In 2009, OCWA increased its fundraising efforts for the United Way by 13%, as compared to 2008.

International Plowing Match – Northeastern Ontario Hub

OCWA was a proud volunteer at the 2009 International Plowing Match, held in Temiskaming over five days in September. OCWA provided safe, clean water services to over 2,100 trailer sites and a tent city with more than 80,000 visitors, including Premier Dalton McGuinty.

OCWA is the Official World Water Monitoring Day Partner for Ontario

World Water Monitoring Day (WWMD) is an international program that builds public awareness and involvement in protecting water resources around the world. The program encourages citizens to conduct basic monitoring of their local water bodies and share the results through the WWMD website. In 2009, OCWA's goals were to increase awareness of the program amongst children and help raise Canada's participation rate in the program. OCWA has made testing kits available in communities in which we operate in the Province. In addition, the Agency has been visiting schools and other communities to promote the WWMD program.

Performance Measurement

OCWA uses a results-based planning approach to performance measurement to ensure OCWA's projects and processes are consistent with the Agency's strategic direction. Through quarterly reporting, OCWA's Senior Management and the Board of Directors monitor the implementation of the commitments set out in the Agency's business plan.

In addition to performance goals stated in the business plan, OCWA monitors other key performance indicators (KPIs) for both day-to-day operations and public mandate objectives. In 2009, OCWA's Board established a specific "Board of Directors Dashboard" of KPI's that include reliable service delivery, business retention and growth, financial performance and OHSS and environmental compliance. The Agency will move towards benchmarking these measures against others in the water and wastewater treatment sector such as the Ontario Municipal CAO's Benchmarking initiative (OMBI), the American Water Works Association (AWWA) performance indicator report and the National Water and Wastewater Benchmarking Initiative.

Summary of Performance for 2009 Activities

Commitment	Performance Measure		Result
Earn client trust by delivering on our commitments			
Develop client service level charters that include specific performance expectations	Overall client satisfaction results improved as compared to last survey results	✔	
Continue to gather feedback through Client Advisory Councils (Municipal and First Nations)	Hold 2 meetings of each Council and recommendations tabled to SMC in 2009	✔	
Realign OCWA's sales and service functions	Service realignment implemented in 2009	✔	
Identify energy management opportunities for clients	Inventory of client-specific energy management opportunities developed in 2009	✔	
Implement program to support improvements to client infrastructure	8 O&M service contracts include financing	✘	Infrastructure grants to promote economic stimulus and favourable loan terms limited the interest in OCWA's offerings to clients
Develop 5-year (rolling) capital plans for clients, including improved asset management strategies	Deliver 5-year plans to 90% of clients in each region in 2009	✔	
Achieve business growth by demonstrating best value			
Pursue O&M contracts in both existing and emerging service areas	Achieve net business growth target	✘	Achieved $3.2M in new business revenue
Expand market share for non-O&M services	Achieve business growth target	✔	
Invest in new infrastructure (i.e., biosolids management)	Present business case for Board approval in 2009	✔	
Reduce discretionary spending	25% reduction discretionary spending as compared to 2008	✘	19% reduction achieved
Provide Trusted Service			
Improve Occupational Health & Safety for employees	Target zero lost-time incidents	✘	98.5% of OCWA-operated facilities achieved target
Improve Environmental Compliance Record	Reduction in number of Provincial Officers' Orders issued to OCWA as compared to 2008	✔	More than 50% reduction from 2008
	100% of OCWA-operated water plants receive a rating of >90% per the Chief Drinking Water inspector's report	✘	97% of water system inspections achieved a rating >90% 46% achieved inspection rating of 100%
	100% of OCWA-operated wastewater facilities meet CofA effluent criteria under normal operating conditions	✘	85% of facilities met all CofA effluent criteria 99.5% of wastewater samples met CofA effluent criteria
Renew OCWA's Performance Measurement system	Implement renewed approach to performance measurement in 2009	✔	
Implement operational service review	Review conducted and plan executed in 2009	✔	
Continue to strengthen internal reporting requirements	Reporting requirements reviewed quarterly	✔	
	Internal audit results improved as compared to previous results	✔	

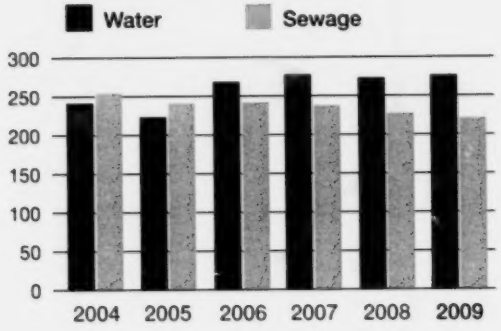
Commitment	Performance Measure		Result
Building Trust Together			
Explore strategic partnership with government and industry stakeholders to develop a water/wastewater operator internship program	Business case presented to appropriate governing body(ies) in 2009	✔	Initial discussion held to identify opportunities for partnership. Additional discussions to be scheduled
Continue to develop the skills of OCWA's leadership	Increased employee satisfaction as compared to 2008	✔	
Implement action plans developed based on input received at Employee Conferences	100% of action plan items implemented per plan timelines	✔	
Water is Life			
OCWA Emergency Response Teams (OERT) Preparedness	All program elements reviewed Annual test of Emergency Response capabilities held in 2009	✔	
Extend technical service hotline to all water/ wastewater system owners	Expanded service hotline established in 2009	✘	Deferred due to lack of external funding
Enhance public awareness of OCWA's activities and promote opportunities for the public to protect and conserve Ontario's precious water resources	Participate in 18 community water/environment education events	✔	
Rightsize OCWA's vehicle fleet	Reduce average rated vehicle fuel consumption of OCWA's total fleet by 2% as compared to 2008	✘	Achieved 1.22% reduction

✔ Achieved ✘ Not Achieved

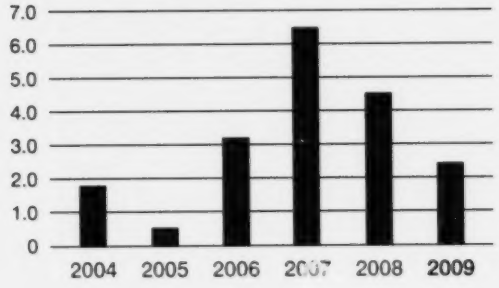
Performance by the Numbers

Business Performance

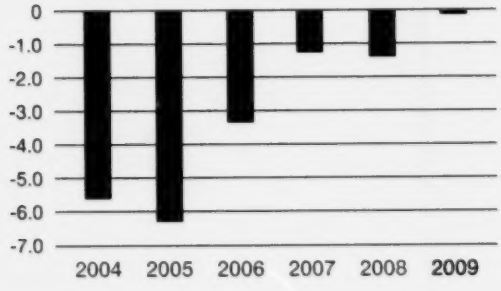
Number of OCWA Operated Facilities



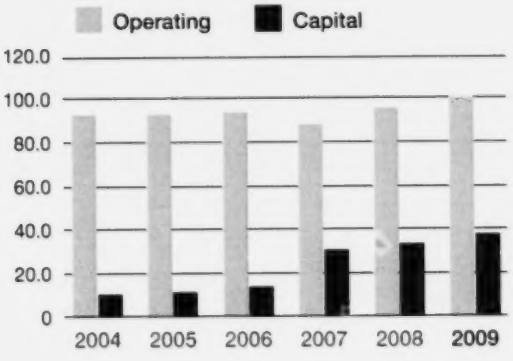
Total Net Income *(in millions of dollars)*



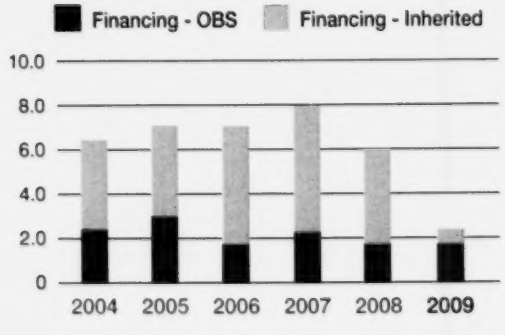
Net Income Utility Operations
(in millions of dollars)



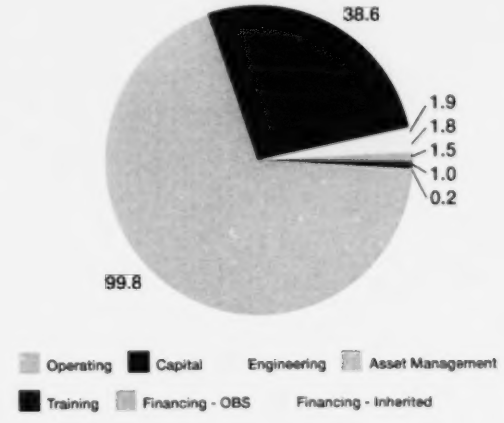
Gross Revenue from Operations
(in millions of dollars)



OCWA Business Stream Net Income
(in millions of dollars)

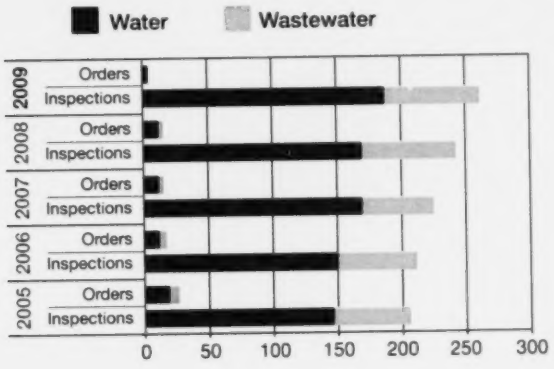


Total 2009 Revenue by Source *(in millions of dollars)*

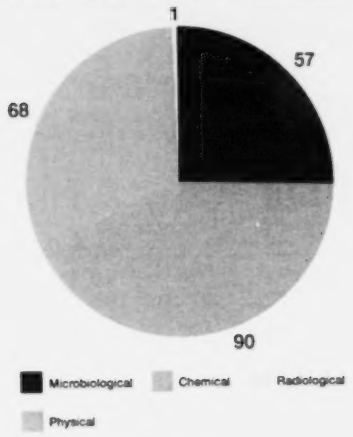


Compliance Performance

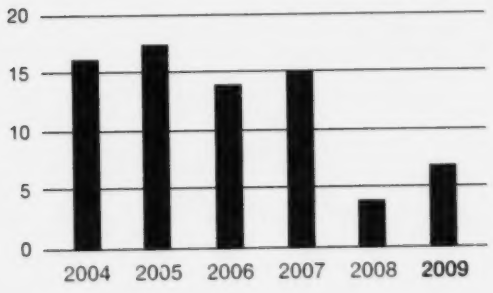
MOE Inspections and Provincial Officer Orders



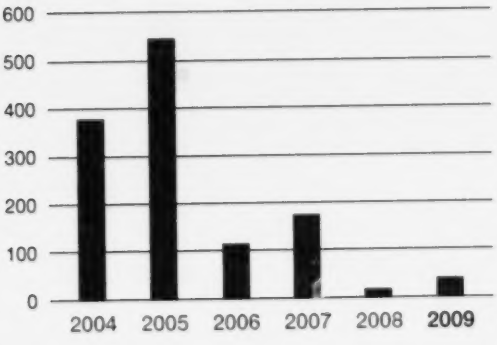
Types of Adverse Water Quality Events at OCWA Operated Facilities, 2009



Occupational Health & Safety
Approved Lost -Time Incidents



Occupational Health & Safety
Total Lost -Time Days

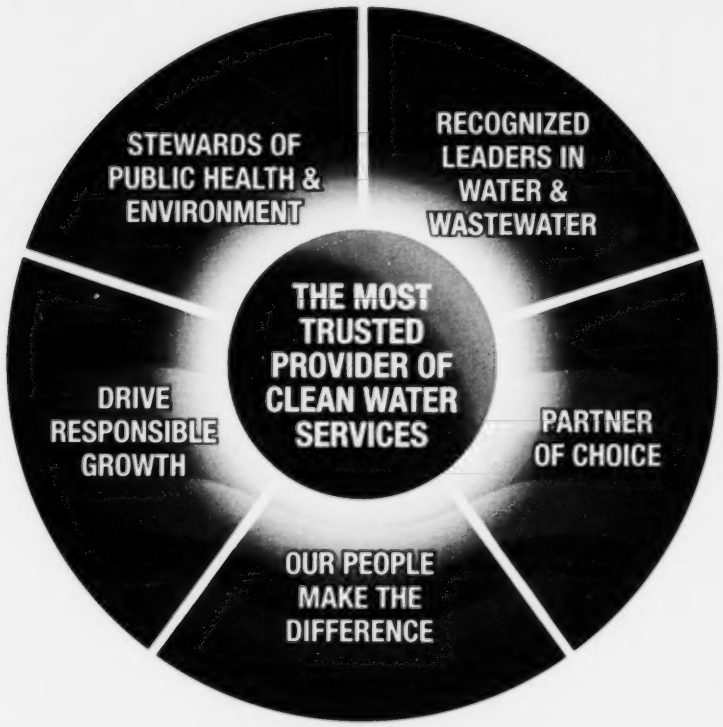


2010 and Beyond: Performance through Accountability

In 2009, OCWA's strategic focus was to build an Agency accountability framework supporting our vision to be the most trusted provider of clean water services.

The OCWA accountability framework includes five overarching aspirational goals that encompass the Agency's commitment to enhance service quality and performance with a focus on Performance through Accountability.

OCWA's Accountability Framework


STEWARDS OF PUBLIC HEALTH & ENVIRONMENT
RECOGNIZED LEADERS IN WATER & WASTEWATER
THE MOST TRUSTED PROVIDER OF CLEAN WATER SERVICES
DRIVE RESPONSIBLE GROWTH
PARTNER OF CHOICE
OUR PEOPLE MAKE THE DIFFERENCE

Our Values are based on

TRUST

Transparency • Respectfulness
Understanding • Safe • Teamwork

In 2010 and beyond, OCWA will focus on performance through accountability and concentrate on client retention, new business growth, expanding services to clients, improving service quality and simplifying internal processes. A sustained focus on health and safety and regulatory compliance also remains a key priority for OCWA. The Agency aims to continue to achieve full cost-recovery through business growth and service delivery enhancements. The Agency's key initiatives for 2010 include:

Public Mandate

As a provincial Crown Agency, the Agency is accountable to the Provincial Government and ultimately, to the People of Ontario. OCWA plays a key role in ensuring that clean water services are accessible to all Ontarians. As part of this public mandate, the Agency is available to provide emergency assistance to Ontario municipalities and First Nations communities in the event of a drinking water crisis through OCWA's emergency response teams.

We are committed to being a socially responsible organization, mindful of the social and environmental impacts that our activities have on our communities. In 2010, the Agency will continue to pursue opportunities to reduce energy consumption, and to participate in outreach activities that raise awareness of local, provincial and international clean water issues.

Operational Performance

In 2010, the Agency will continue to focus on improving operational performance. Key goals for 2010 are:

- To increase the number of facilities that achieve zero LTIs
- To enhance regulatory compliance performance in both water and wastewater treatment facilities
- To achieve specific revenue and expenditure targets on all contracts
- To ensure timely delivery on contractual commitments and improve contract efficiency

Business Growth and Retention

The Agency will continue to grow its business through traditional OM&M services and ancillary services such as project management, asset management and training. In the first half of 2010, the Agency will focus on the renewal of contracts with existing clients.

Organizational Efficiency and Effectiveness

The Agency's goal is to continuously improve performance in all of its business activities. In 2010, the Agency will:

- continue to reduce discretionary spending to ensure fiscal responsibility and accountability
- improve service delivery by focusing on improving capital invoicing as identified in the client survey
- continue simplification of OCWA's business/operational processes

In order to accomplish these goals, clear communication with all staff on the strategies, targets and tactics to achieve them is critical. In 2010, a role mapping exercise involving employees at all levels of the organization is continuing in order to clearly articulate how each level of the organization contributes to achieving the Agency's goals. This role mapping exercise will also align to personal performance plans.

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this annual report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

The Ontario Clean Water Agency is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices and reports are issued to the Senior Management Committee.

The Board of Directors ensures that management fulfills its responsibilities for financial information and internal control. The Board of Directors and the Audit and Risk Management Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least annually to review the financial statements and the external auditor's report thereon, and recommend them to the Minister of Environment for approval.

The Auditor General has examined the financial statements. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Robin Kind
President and Chief Executive Officer

Brenda Baker
Vice President, Finance and Corporate Services

Financial Discussion

Building Trust Through Financial Accountability

2009 continued to be a year of significant fiscal challenge for OCWA and its clients. Original predictions by the Bank of Canada as to how dramatic the downturn would be and how quickly the economy would rebound, turned out to be overly optimistic. Job losses led to many of OCWA's municipal clients finding themselves facing shrinking tax bases. Although economic conditions impacted the Agency more dramatically during 2009 than originally forecast, as we move into 2010, the outlook is increasingly optimistic.

A second challenge that the Agency faced related to uncertainty regarding labour relations. As 2009 began, Ontario Public Service Employees Union (OPSEU), the labour union which represents most of the Agency's employees, was in negotiation with the government for a new collective agreement, as the prior agreement had expired. The successful renegotiation of a new agreement avoided a potential labour disruption.

As mentioned previously, OCWA was successful in securing a new 10-year agreement with our largest client, the Region of Peel. This agreement builds on the strengths of the previous agreement and results in an equitable sharing of risk between the Agency and the Region. The successful negotiation of a new 10-year agreement valued at $447M was the result of a significant effort which brought together staff from across the Agency. With respect to the non-operational services offered by OCWA, 2009 was a year of both achievement and challenge. Total Revenues in Engineering Services increased to $1.87M which represents an increase of 14% from the results reported in 2008. This growth demonstrates that increased efforts to attract business coupled with a fee structure which better reflects market pricing has been successful. Training revenues have also shown significant growth in the uptake for these services with $966,000 in total revenues being reported for 2009.

The results reported for the AMOSS group fell significantly short of the margin targets established for 2009. In 2006, this group, which previously provided services to the Agency as a corporate indirect cost, was given the mandate to recover its costs. Since that time, it has been recognized that this group is still required to provide some services corporately, for which cost recovery is not possible. For other services delivered by this group, some progress toward cost recovery has been made (Process & Industrial). However, the distribution and collections business which was introduced in 2008 has focused on training new staff and building capacity. Although the group was successful in obtaining several contracts, higher costs for the hiring and training of new staff resulted in the group not meeting its 2009 target.

The 2008 Annual Report of the Auditor General included a report on the Value-for-Money audit of OCWA. The report observed that OCWA was not recovering the full cost for services. In some cases, OCWA was not charging enough to cover administrative costs and was, in fact, using financing income to offset the shortfall. In response, OCWA is developing a methodology to ensure that administrative costs are properly attributed to contracts. In so doing, costs will be accurately captured and reflected in future pricing decisions, thereby ensuring that, over time, all agreements will be priced in a manner to fully recover the cost of the services delivered.

Balance Sheet

As in past years, OCWA continues to report a balance sheet that includes a strong position in cash and financial investments and no debt. Total Assets at December 31, 2009 were $215.4M and Equity of $185.6M. Net Income for the year was $2.388 million in total, $1.575 million when the financing income on OCWA's inherited investment portfolio is excluded. Retained Earnings were $89.7M, representing an increase of 2.7% compared to 2008.

Revenues

Revenues on OCWA's core operations grew by 7.2% over those for 2008, exceeding planned revenues by $10.55M. A portion of this increase relates to the annual consumer prices index (CPI) adjustments that are contained in our operating contracts.

In addition, OCWA continues to provide major maintenance and related services that are outside the scope of the base operating agreements with clients. In many cases, the difficult economic conditions experienced during 2009 resulted in lower tax bases for smaller communities that form a significant portion of OCWA's client base. The provincial and federal governments responded to the tough economy and significant job losses by introducing funding for a variety of infrastructure programs. These programs provided federal and provincial funding that municipalities could use to partially fund approved infrastructure projects. As a result, many of OCWA's clients chose to reprioritize their major maintenance activities in order to take advantage of these funding opportunities. The result was a decrease or deferral by some OCWA clients, of the type of major maintenance activities carried out by OCWA. Notwithstanding this trend, OCWA managed to achieve its target for major maintenance revenue for 2009.

With respect to the various consulting services offered by the Agency, in all cases the revenues achieved during 2009 surpassed those reported in 2008. Revenue increased from 2008 to $1.87M for Engineering Services, $1.5M for AMOSS and $.97M for Training. The establishment of specific regional sales targets for sales of each of these services during the 2009 budgeting process was a contributing factor in this achievement. The territory sales plans introduced in 2010 incorporate specific sales targets not only for core operational and major maintenance services but also these consulting services. By ensuring that clients and non-clients are made aware of the full range of services offered by the Agency, this positive growth trend is anticipated to continue.

Expenses

Much of the emphasis during 2009 was on controlling expenditures, particularly in those areas deemed to be discretionary. In the 2009 budgeting process, OCWA established the target of reducing discretionary spending by 25%. Discretionary expenditures were defined to include such items as travel, food and clothing. Although progress was made toward achieving this goal, actual savings of 19% fell short of the target. This emphasis on expenditure control has been carried forward, with the goal of achieving the balance of the reduction as well as achieving additional efficiencies in administrative costs across the Agency during 2010.

At the same time, the Agency has incurred additional expenses as a result of strengthening our commitment to the health & safety of staff by establishing and enforcing mandatory personal protective equipment (PPE) standards for all staff entering OCWA-operated facilities and by increasing the amount of health & safety training provided.

Investment Income

The dramatic drop in global market interest rates that began in the middle of 2008 were originally forecast to level off toward the latter part of 2008 at approximately 1.5% and then increase in mid 2009. The Agency budgets for 2009 were based on those forecasts.

However by the end of November 2008, it became apparent that interest rates would continue their precipitous drop and that the record low rates would last much longer than originally forecast. The amount held in the form of cash-in-bank and short-term investment represent approximately 30% of the Agency's investment portfolio. The Agency responded to continued fluctuations in market interest rates by restructuring this portion of its investment portfolio. This was achieved by reinvesting funds that it held in short-term deposits to mitigate the impact of ever worsening interest rates while maintaining sufficient working capital to meet operating requirements. By early 2009, the overnight rate had dropped to .25% where it remained for the balance of 2009

and into early 2010. However, as a result of the Agency's action to reinvest most of this portion of its portfolio, OCWA managed to not only achieve the budgeted interest income, but to actually surpass the target by 3.7% compared to the amount originally budgeted.

The balance of OCWA's portfolio is comprised of a loan to Infrastructure Ontario (IO). This loan is locked in with the interest rate tied to the Bank of Canada rate, and is therefore outside of OCWA's control. This loan is therefore dramatically impacted by the fluctuations in market interest rates. Although budgeted to earn $2.0M in 2009, the depth and duration of the drop in rates resulted in this loan returning only $.9M. As a result, although the IO loan represents 70% of OCWA's total investment portfolio, in 2009, it accounted for only 32.7% of the investme nt income. The Bank of Canada is predicting that Canadian interest rates will begin to rise toward the end of the second quarter of 2010, therefore some improvement is anticipated in interest income on the inherited portion of OCWA's investment portfolio in 2010.

International Financial Reporting Standards (IFRS)

In 2008 the Canadian Institute of Chartered Accountants (CICA) confirmed that publicly accountable enterprises will be required to migrate from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) effective January 1, 2011, including comparative reporting for the prior year.

In October 2009, the CICA clarified that government business enterprises (GBE) would have to follow IFRS. Although OCWA meets the definition of GBE according to the accounting standard, the province has not yet confirmed whether the Agency is a government business enterprise and therefore whether it would be required to adopt IFRS or other accounting methods such as Public Sector Accounting Board (PSAB). However, given the considerable effort required to prepare for the adoption of IFRS, OCWA is proceeding under the assumption that adoption of IFRS will be required.

Work is underway to prepare for the adoption of IFRS. The Board of Directors has been briefed and will be provided with ongoing status updates. OCWA's financial managers have participated in comprehensive IFRS training seminars. An assessment of each standard under the IFRS was made for those having the highest impact on our business and changes to the financial statements such as measurement of financial instruments and expansion of the notes to the financial statements have already been implemented.

As part of the IFRS implementation, OCWA plans to make changes to certain processes in 2010, to ensure that transactions are recorded in accordance with IFRS for comparative reporting purposes.

Auditor's Report

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

**To the Ontario Clean Water Agency,
the Minister of the Environment
and to the Minister of Finance**

I have audited the balance sheet of the Ontario Clean Water Agency as at December 31, 2009 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian general accepted accounting principles.

**Jim McCarter, FCA
Auditor General
Licensed Public Accountant**

**Toronto, Ontario
March 19, 2010**

Balance Sheet – Assets

As at December 31, 2009

(in thousands of dollars)

	2009	Dec. 31, 2008
Current assets:		
Cash and short-term investments	**50,171**	26,250
Accounts receivable, net		
Municipalities and other customers *(note 2d)*	**24,510**	24,261
Ministry of the Environment	**360**	374
Goods and services tax receivable	**1,229**	1,894
Prepaid Expenses	**3,223**	2,951
Current portion of investments receivable for water and wastewater facilities *(note 2e)*	**762**	1,554
	80,255	57,284
Non-current assets		
Investments in term deposits *(note 2f)*	**5,031**	26,000
Investments receivable for water and wastewater facilities *(note 2e)*	**5,526**	6,272
Loan receivable - Infrastructure Ontario *(note 2i)*	**120,000**	120,000
Fixed assets, net *(note 3)*	**4,570**	4,009
	135,127	156,281
Total Assets	**215,382**	213,565

See accompanying notes to financial statements

On behalf of the Board

Director

Director

Balance Sheet – Liabilities and Equity

As at December 31, 2009

(in thousands of dollars)

	2009	Dec. 31, 2008
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**16,878**	17,494
Current portion of employee future benefits *(note 7a)*	**2,660**	2,568
	19,538	20,062
Long-term liabilities:		
Municipal contributions payable *(note 2h)*	**252**	257
Employee future benefits *(note 7a)*	**9,943**	9,932
	10,195	10,189
Equity of Ontario:		
Contributed surplus *(note 5b)*	**95,994**	96,047
Retained earnings	**89,655**	87,267
	185,649	183,314
Contingencies *(note 6)*		
Total Liabilities and Equity	**215,382**	213,565

See accompanying notes to financial statements

On behalf of the Board

Director

Director

Statement of Income and Retained Earnings

For the year ended December 31, 2009	*(in thousands of dollars)*	
	2009	2008
Utility Operations Revenues:		
Utility operations	**139,977**	130,072
Fees	**2,837**	2,390
Total Operating Revenues	**142,814**	132,462
Operating Expenses:		
Salaries and benefits *(note 7a and note 7b)*	**59,286**	55,892
Other operating expenses	**81,710**	75,730
Amortization of fixed assets	**2,006**	2,187
Total Operating Expenses	**143,002**	133,809
Net Loss – Utility Operations	**(188)**	(1,347)
Financing Revenues:		
Interest from investments, loans receivable and facilities under construction *(note 2g)*	**2,696**	6,036
Total Financing Revenues	**2,696**	6,036
Financing Expenses:		
Interest and loan administration expenses	**60**	49
Amortization of fixed assets	**60**	60
Total Financing Expenses	**120**	109
Net Income – Financing	**2,576**	5,927
Net Income for the Year	**2,388**	4,580
Retained earnings, opening balance	**87,267**	82,687
Retained earnings, ending balance	**89,655**	87,267

See accompanying notes to financial statements

Statement of Cash Flows

For the period ended December 31, 2009	*(in thousands of dollars)*	
	2009	Dec. 31, 2008
Cash Provided by (used for) Operating Activities		
Net Loss - Utility Operations	**(188)**	(1,347)
Items Not Affecting Cash		
Amortization of fixed assets	**2,006**	2,187
Increase in future employee benefits expense	**103**	1,408
(Decrease) increase in municipal contributions payable	**(5)**	5
	1,916	2,253
Changes in non-cash operating working capital		
Accounts Receivable	**430**	(872)
Note Receivable	**0**	203
Prepaid Expenses	**(272)**	202
Accounts Payable and Accrued Liabilities	**(616)**	(1,140)
	(458)	(1,607)
Net Cash Flows from operating activities	**1,458**	646
Cash Used in Investing Activities		
Interest Received	**3,136**	5,730
Principal Repaid on Loans	**1,098**	1,232
Decrease (increase) in Term Deposits	**20,969**	(26,000)
Fixed Assets Acquired	**(2,627)**	(1,714)
Financing Expenses	**(60)**	(49)
Net cash flows from investing activities	**22,516**	(20,801)
Cash Used in Financing Activities		
Changes in Contributed Capital *(note 5b)*	**(53)**	227
Increase (Decrease) in Cash	**23,921**	(19,928)
Cash and Short-Term Investments, Opening Balance	**26,250**	46,178
Cash and Short-Term Investments, Closing Balance	**50,171**	26,250

Notes to the Financial Statements

General

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of the *Capital Investment Plan Act, 1993* (the "Act").

In accordance with the Act, the Agency's objectives include:

- assisting municipalities to provide water and wastewater services on a cost-recovery basis by financing, planning, developing, building and operating such works and services;
- financing, building and operating water and wastewater facilities on behalf of Ontario on a cost-recovery basis; and
- providing these services to protect human health and the environment, encouraging conservation of water resources and supporting Provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

1. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as prescribed by the Canadian Institute of Chartered Accountants. Included below are those accounting policies that are of significance to the Agency.

(a) Cash and short-term investments

Cash and short-term investments are highly liquid investments with original maturities due within one year.

(b) Fixed assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost.
Fixed assets are being amortized on a straight line basis as follows:

Furniture and fixtures	5 years
Automotive equipment	4 years
Computer hardware	3 years
Computer software	2 years
Machinery and equipment	5 years
Information systems	7 years
Leasehold improvements	Life of the lease

(c) Revenue recognition

Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, is recognized when the costs are incurred, and normally includes a pre-determined markup on cost.

(d) Financial Instruments

A financial instrument is an asset or liability that will ultimately be settled in cash.

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classifications. At the Agency, the following classifications have been made:

- Cash and short-term investments are classified as held-for-trading and consists of highly liquid investments, including deposit certificates of up to one year that can be readily converted into cash.
- Accounts Receivable are classified as loans and receivables, and are valued at face value because they are due within one year.
- Term deposits are classified as a held-to-maturity investment and are valued at face value. Accrued interest is recorded in accounts receivable and net income.
- Investments Receivable for water and wastewater facilities are classified as loans and receivables are initially measured at fair market value and subsequently valued at amortized cost using the straight line amortization method. Amortization is charged to the Statement of Income and Retained Earnings.
- The Loan Receivable from Infrastructure Ontario is classified as an available-for-sale financial asset and is valued at face value, which is essentially the same as fair market value because of the nature of variable-rate financial instruments.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value because they are due within a year.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

2. Financial Instruments

(a) Fair Value

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2009	
(in thousand of dollars)	**Carrying Amount**	**Fair Value**
Cash and Short-Term Investments	50,171	51,073
Accounts Receivable	26,099	26,099
Investments in Term Deposits	5,031	5,302
Investments Receivable	6,288	6,993
Loan Receivable-Infrastructure Ontario	120,000	120,000
Accounts Payable and Accrued Liabilities	16,878	16,878

2. Financial Instruments (cont'd)

(b) Credit Risk

The carrying value of financial assets represents the maximum exposure to credit risk as at December 31, 2009, as follows:

	(in thousand of dollars)
Cash and Short-Term Investments	50,171
Accounts Receivable	26,099
Investments in Term Deposits	5,031
Investments Receivable	6,288
Loan Receivable-Infrastructure Ontario	120,000

(c) Interest Rate Risk

The agency is subject to interest rate risk on the following financial assets:

	Amount *(in thousand of dollars)*	Interest Rate	Maturity
Infrastructure Ontario	120,000	variable	Mar. 2023
Cash	18,176	variable	
Short-Term Investments	31,995	0.6% - 4.25%	Dec. 2010
Term Deposits	5,031	3.16%	Mar. 2011

Had interest rates been 1% higher (lower) in December 2009, Financing Income would be $1.7 million higher (lower).

(d) Accounts Receivable Municipalities and Other Customers

The Agency is not exposed to significant credit risk as receivables are due from municipalities and payment in full is usually collected. Credit rating reviews are performed for non-municipal clients.

The aging of accounts receivable as at December 31, 2009 was as follows:

	(in thousands of dollars)
Not past due	12,630
Past Due 31-60 days	3,803
Past Due 61-90 days	769
Past Due 91-120 days	1,747
Past Due 121-150 days	279
More Than 151 days	6,995
Accounts Receivable (Gross)	26,223
Allowance for Doubtful Accounts January 1, 2009	1,325
Increase in Allowance	388
Allowance for Doubtful Accounts December 31, 2009	1,713
Total Net Accounts Receivable Municipalities and Other Customers	**24,510**

(e) Investments Receivable for Water and Wastewater Facilities

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates between 5.96% and 10.52%. Scheduled principal repayments of the investments are as follows:

(12 Months Beginning January)	*(in thousands of dollars)*
2010	762
2011	786
2012	813
2013	815
2014	796
Thereafter	2,222
	6,194
Less: Current portion	762
	5,432
Adjustment to Amortized Cost	94
	5,526

2. Financial Instruments (cont'd)

In August of 1999, the Agency entered into a loan agreement to finance the construction of a water pipeline, which was completed in May 2000. The outstanding loan balance including accumulated interest was $18.6 million at March 31, 2005. The loan agreement specified that repayment would be through sales of water, rather than according to a predetermin schedule. As of December 31, 2009, no principal or interest payments have been made. Currently, the pipeline and the payments of the outstanding loan is the subject of ongoing discussions amongst various levels of government. Given the significant uncertainty regarding future water sales, the Agency has recognized the loan as fully impaired and accordingly the loan amount of $18.6 million has been reflected in an allowance for loan impairment. Commencing with the date the loan was classified as impaired (January 1, 2006), the Agency ceased accruing interest revenue which as at December 31, 2009 totalled $5.9 million.

Other than as described in this note, there are no other provisions established for investment receivables.

(f) Investments in Term Deposits

The Agency has invested $5 million in a term deposit with the rate of 3.16% which has a 2 year term maturing on March 4th, 2011.

(g) Financing Revenue

Financing revenue is broken down as follows:

	(in thousands of dollars)
(a) Interest from Cash and Short-Term Investments	1,366
(b) Interest from Investment Receivable	510
(c) Interest from Investment in Term Deposits	131
(d) Interest from Loan Receivable-Infrastructure Ontario	689
Total	**2,696**

(h) Municipal Contributions Payable

At December 31, 2009, the Agency held funds on behalf of the municipalities amounting to $0.3 million (2008 - $0.3 million). These funds are included in cash and short-term investments.

(i) Loan Receivable – Infrastructure Ontario

The Agency has a loan of $120 million with Infrastructure Ontario, an agency of the provincial government, which matures on March 1, 2023. The interest on the note is paid quarterly, with a rate set at four basis points below the average monthly Canadian Dollar Offered Rate. The market value of the note approximates cost.

(j) Other

Other than as described in these notes, the Agency is not exposed to any additional currency, liquidity or other price risk on its financial instruments.

3. Fixed Assets

(in thousands of dollars)	Cost	Accumulated Amortization	**Net Dec. 31, 2009**	Net Dec. 31, 2008
Furniture and fixtures	1,766	1,622	**144**	212
Automotive equipment	1,850	352	**1,498**	67
Computer hardware	8,560	8,020	**540**	946
Computer software	4,536	4,316	**220**	448
Machinery and equipment	805	546	**259**	281
Information system	2,495	680	**1,815**	1,620
Leasehold improvements	6,780	6,686	**94**	435
	26,792	22,222	**4,570**	4,009

4. Lease Commitments

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

(in thousands of dollars)	
2010	2,097
2011	1,805
2012	951
2013	236
	5,089

5. Equity Of Ontario

(a) Available Capital

During the last several years, the Agency has been moving towards full cost recovery in its water and wastewater operations.

The Agency works closely with the Province, its sole shareholder, regarding the investment of its large amount of capital resources, including the $120 million variable-rate interest rate loan to Infrastructure Ontario and its cash balance and investments in term deposits of $55.2 million. The Province has considerable influence on the use of these resources.

5. Equity Of Ontario (cont'd)

(b) Contributed Surplus

When the Agency was first established, the opening contributed surplus was received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed.

The adjustments to the opening balance relate to repairs and maintenance, legal costs and the write off of provincial assistance advances that were agreed to prior to the establishment of the Agency. The funds committed for such repairs and maintenance are spent on various undertakings, the largest of these undertakings has a spending limit of $7.5 million for capital repairs as approved by the Agency's Board of Directors. Of the $7.5 million approved, a cumulated $6.0 million has been spent. On other undertakings, a cumulated $5.7 million has been spent. Recoveries of past charges of contributed surplus are reflected as an increase to contributed surplus.

(in thousands of dollars)	**December 31, 2009**	December 31, 2008
Opening balance, January 1	**96,047**	95,820
Adjustments to opening balance	**(53)**	227
	95,994	96,047

6. Contingencies

The Agency is the defendant in a number of lawsuits. Most of these claims are covered by insurance after the application of a deductible, ranging from $5,000 to $100,000, depending on when the event giving rise to the claim occurred and the nature of the claim. The outcome of the lawsuits cannot be determined at this time. Losses, if any, will be accounted for in the period of settlement. The Agency's insurers have denied coverage with respect to several related multi-million dollar lawsuits in which the Agency has been named as a defendant by the same plaintiff. These lawsuits are currently being held in abeyance and it is believed that the Agency's exposure is significantly less than the amounts claimed, although the exact amount of the Agency's exposure cannot be determined at this time. In the event the litigation proceeds, the Agency's exposure will need to be re-evaluated periodically.

7. Related Party Transactions

(a) Non-Pension Employee Future Benefits

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers compensation obligations.

The costs of these employee future benefits have been estimated at $12.6 million (2008 - $12.5 million) of which $2.7 million has been classified as current liability. The amount charged to the income statement in 2009 was $1.7 million (2008 - $1.9 million) and is included in salaries and benefits expense in the Statement of Income and Retained Earnings.

Included in employee future benefits is an estimated workers compensation obligation in the amount of $2.3 million (2008 - $2.5 million). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board (WSIB) as at December 31, 2008.

It is management's opinion that the balance at December 31, 2009 will not be materially different. Adjustment to the estimated WSIB obligation cumulative balance, if any, will be made in the year the updated balance is provided by WSIB.

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

(b) Pension Plan

The Agency's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual payments of the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the agency. The Agency's annual payments of $2.6 million (2008 - $2.5 million), are included in salaries and benefits in the Statement of Income and Retained Earnings.

(c) Other

As a result of the relationship of the Agency with the Province, the following related party transactions exist:

(i) The Agency received revenue of $2.3 million (2008 - $2.8 million) from the Ontario Realty Corporation for water and wastewater treatment services OCWA provided. The services were provided at competitive rates similar to those of other OCWA clients.

(ii) The Agency received revenue of $2.6 million (2008 - $2.6 million) from the Ministry of the Environment for water and wastewater treatment services OCWA provided. The services were provided at competitive rates similar to those of other OCWA clients.

(iii) The Agency has a $120 million loan receivable with Infrastructure Ontario, as described in note 2 (i).

(iv) The Agency relies on the Province to process its payroll and administer it benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.

(v) The Agency has a $0.8 million accounts payable to the Ministry of the Environment for rent proceeds it collects for a property, net of realty taxes paid, managed on behalf of the Ministry.

8. Reclassification

Some of the prior year numbers have been reclassified to conform with the current year presentation.

9. Future Accounting Pronouncements

In October 2009 exposure draft the Canadian Institute of Chartered Accountants clarified that government business enterprises would have to follow International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. It is likely that the agency is a government business enterprise based on the definition in the accounting standards, although the Province has yet to confirm this decision.

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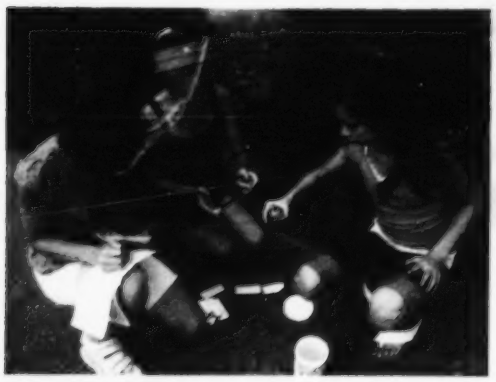

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